



## Webinar: Can The Incumbents Survive?

Can incumbent vendors survive the onslaught of well financed Insurtech startups?

Welcome to Hampleton Partners' Insurtech M&A webinar: Can The Incumbents Survive?

- Duration: 30 minutes, including Q&A
- Recording will be available at the end
- Presentation can be followed on screen  
Note: Webinar software can distort some graphics
- Q&A session at the end – but you can send questions throughout presentation
- Suggested hashtag: #HampletonTech

# Agenda overview

- Introductions
- Tech M&A Environment
- Insurtech hot trends
- New technologies
- Who's buying/investing
- Partnerships
- Old school vs New school
- Maximising value
- Summary
- Q&A
- What's next?

# Agenda

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*Introduction*

Speakers

Hampton

Our M&A research

# Introductions



**Miro Parizek**  
Principal Partner



**Sana Afghan**  
Analyst

# About Hambleton Partners

Hambleton offers experienced deal-making across a targeted number of technology sectors

>100

Tech transactions *executed*

70

Percent cross-border transactions *on sell-side engagements*

24

Seasoned professionals *headquartered in London and Frankfurt*  
*Satellite office in San Francisco to engage with US buyers*

8

Core **focus areas** *in which the team has* **entrepreneurial, operational, deal-making**  
*and investing* **experience**

*M&A, growth capital and corporate finance advisory for*

- Privately-owned companies
- Entrepreneur-led businesses
- Private equity portfolio companies
- VC-backed companies
- Selected buy-side engagements
- Selected strategic high-tech start-ups

*...in key geographies worldwide.*



# Focus areas

The experienced Hamleton team focuses on eight targeted subsectors of the technology industry. Read our research for valuable insights on M&A transaction multiples, exit strategy and timing, potential buyers, as well as current and future technology trends

## 2019

Nine 1H2019 reports released looking back at 2018 and anticipating future trends

- Autotech
- Digital Marketing
- E-Commerce
- Enterprise Software
- Fintech/Insurtech
- Healthtech
- Industry 4.0 in the DACH\* region
- IT & Business Services
- Growth Capital

You can download and subscribe to these semi-annual reports at <http://www.hamletonpartners.com>



\*DACH = German-speaking region (Germany, Austria, Switzerland)

# Agenda

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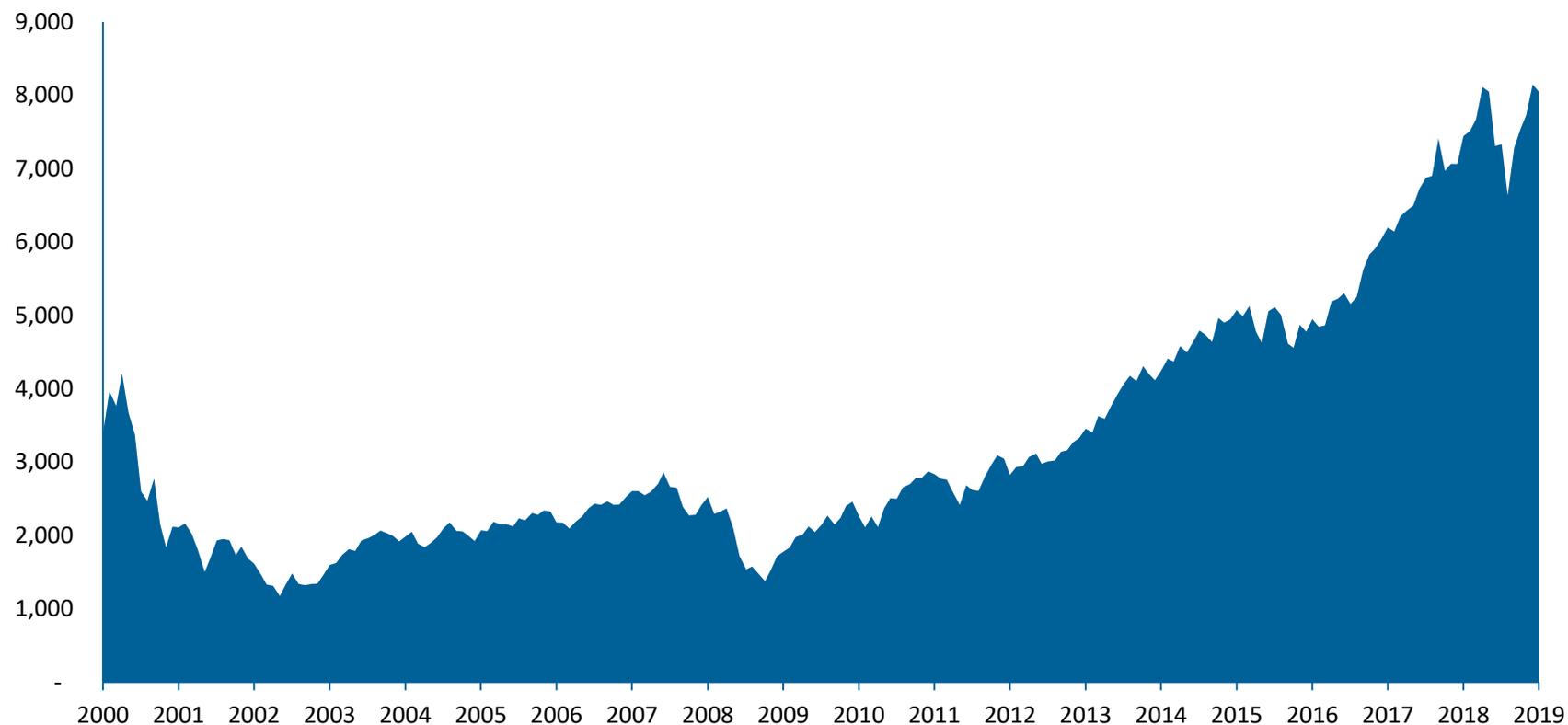
## *M&A drivers*

Success of the tech industry

Reasons for deal activity

M&A is the new R&D

# The NASDAQ factor



Source: S&P Capital IQ

# Global M&A activity



Source: 451 Research

# Reasons for high deal activity

## Strategic

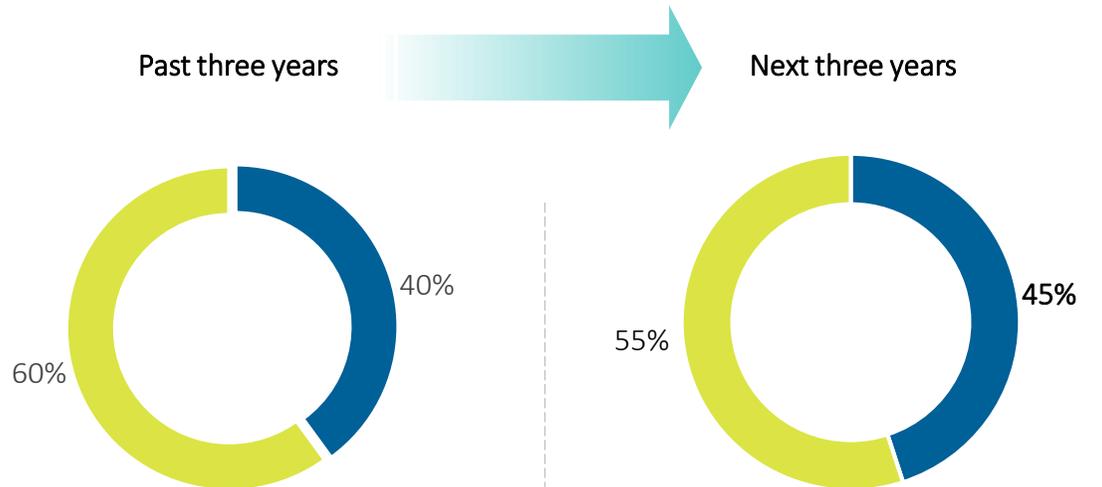
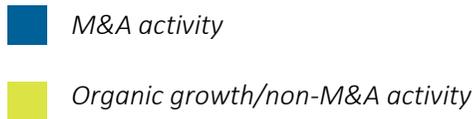
- M&A is increasingly becoming part of a normal economic business cycle
- Driven by required growth / rate of change / competitive pressure
- Markets consolidate – “be the gorilla, occupy a niche or watch out”
- Activity peaks when disruption accelerates (technological, regulatory, new or high growth markets)
- Scaling companies have limited ability to innovate – need increasingly to make acquisitions
- Largest R&D spenders are also the biggest M&A spenders (e.g. Alphabet, Amazon, Intel, Microsoft, Samsung, ...) buying innovation and domain expertise

## Financial

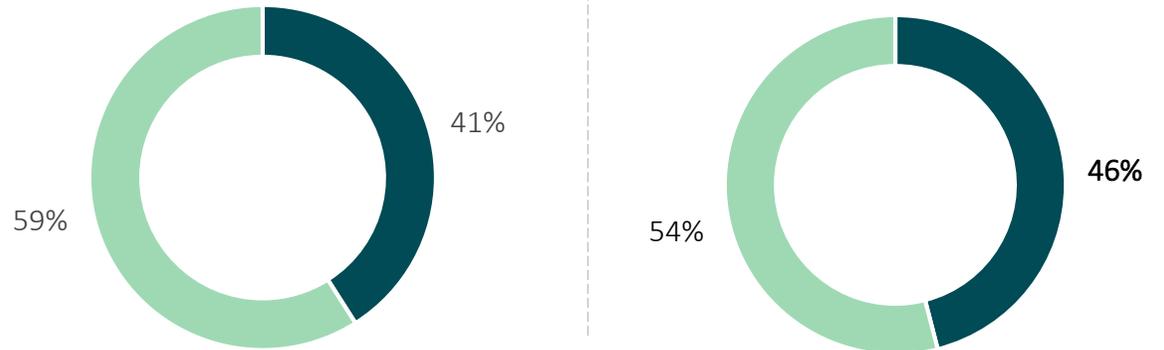
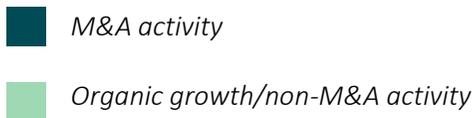
- New entrants in tech sector from traditional industries
- Tech companies are generating mountains of cash
- Interest rates are still low...
- ...and share prices are still high
- Financial investors have record-breaking fund sizes and are active in Insurtech

# Pacesetter report – M&A is the new R&D

What proportion of your firm's revenue **growth** over the past three years is attributable to M&A activity? What do you anticipate for the next three years?



What proportion of **capital** has been allocated to M&A over the past three years? What proportion will be allocated to M&A over the next three years?



Source: Pacesetters from Pinsent Mason together with Mergermarket – survey of 400 of Europe's fastest-growing companies

# Agenda

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## *InsurTech market overview*

Hot Trends In Insurance

New Technology Adoption

Big Ticket Investments

Global M&A In InsurTech

Recent Acquisitions

Partnerships

Old School vs New School

# Hot Trends In Insurance

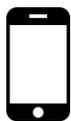
## Telematics



Biggest underwriting breakthrough since credit scoring



Adopted by few insurers, with two maintaining the lead



Smartphone UBI becoming a bigger strategic priority

## Cybersecurity



Cybersecurity insurance market value is estimated to grow to \$9 billion, double 2017



Growth driven by businesses increasingly understanding threats of IoT, as it gains traction



Anticipating future demand, Guidewire acquired cyber risk analytics provider Cyence in 2017

## Property & Casualty



Changing trends in vertical industries e.g. auto – AV's – could gradually shift ownership towards companies as opposed to individuals



Players are consolidating in order to increase product offering and geographical footprint



Address changing consumer profiles e.g. young, demanding and instant-access style millennials

## Life & Pension

5.6%

2018/19 improved annuity growth rates, supported by rising interest rates.



Wearable tech is the telematics in the Life sector. Datasets enable insurers to manage risks or engage with their customers

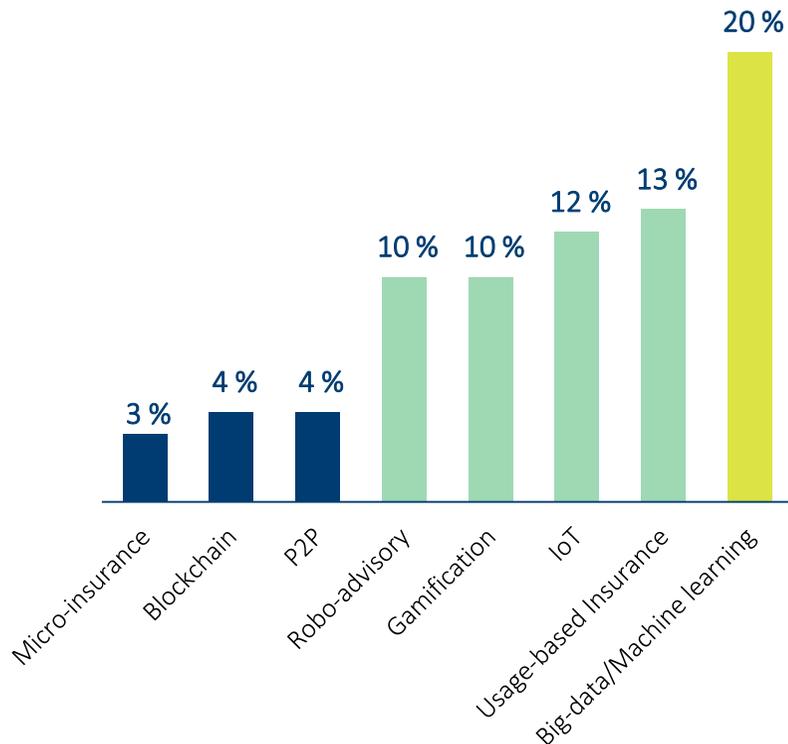


Reinsurers are helping to drive innovation in life insurance, but non-traditional players also entering market

Source: CB Insights, Munich Re

# New Technology Adoption

% of InsurTech adoption of new technology



- New technologies support product innovation e.g. microinsurance, UBI & P2P
- Incumbents must adopt & master these technologies to offer solutions to under-served markets
- Value propositions of new technologies include:
  - Introducing new products, services or entering new markets
  - Lower cost for policy administration & claims management through digital and leaner processes
  - >20% focused on lowering costs by providing customers with a digital interface and direct model

Source: McKinsey & Co

# Big Ticket Investments

## Global Insurtech Investment



30.01.19  
\$500m

**Clover**



07.03.19  
\$128m

**FRI:DAY**



06.03.19  
\$125m

**wefox**



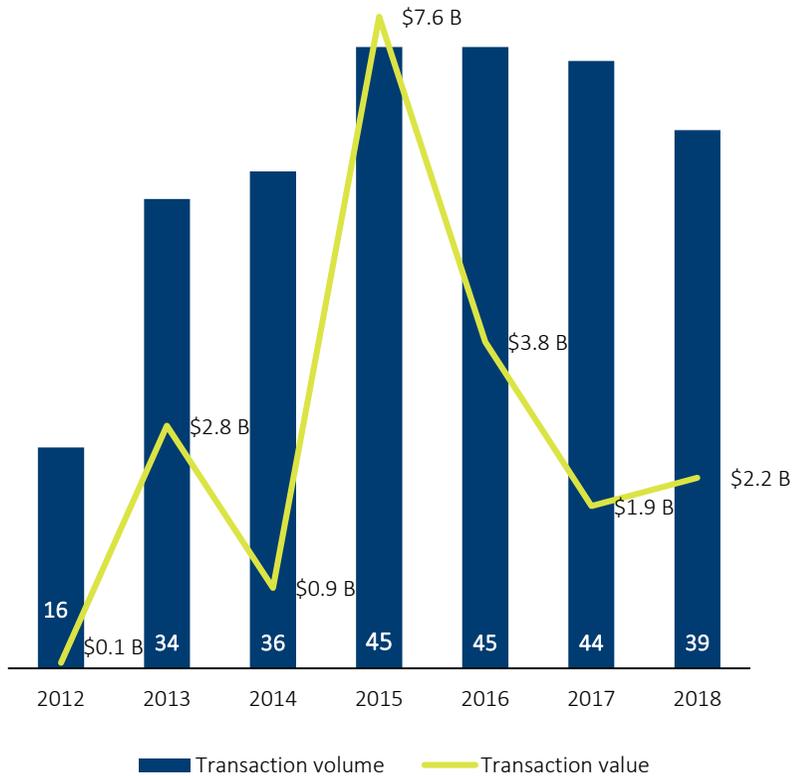
04.03.19  
\$60m

**Shift Technology**

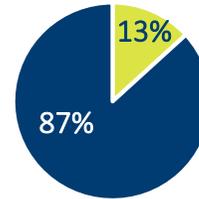
Sources: CB Insights; 451 Research

# Global M&A In InsurTech

## Global M&A Transactions



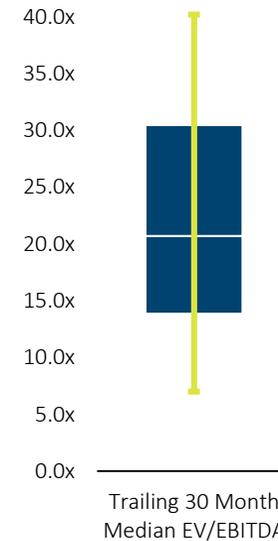
## Strategic buyers vs Private equity



## Number of buyers with more than 1 acquisition



## Number of acquisitions since 2016



Sources: 451 Research

# Recent Acquisition Drivers

## Geography



- Sapiens – insurance management software – Israel
- Adtaptik – insurance management SaaS – US
- \$19.5m, EV/S 1.6x
- Strengthen presence and build market share in US

## Channel



- DuckCreek Technologies – P&C insurance software
- Outline Systems- P&C insurance distribution channel management software
- Lond-standing partner

## Horizontal



- Solera – auto claims processing software - US
- In4mo – Finnish property claims management SaaS
- Extend P&C offerings with more innovative solutions

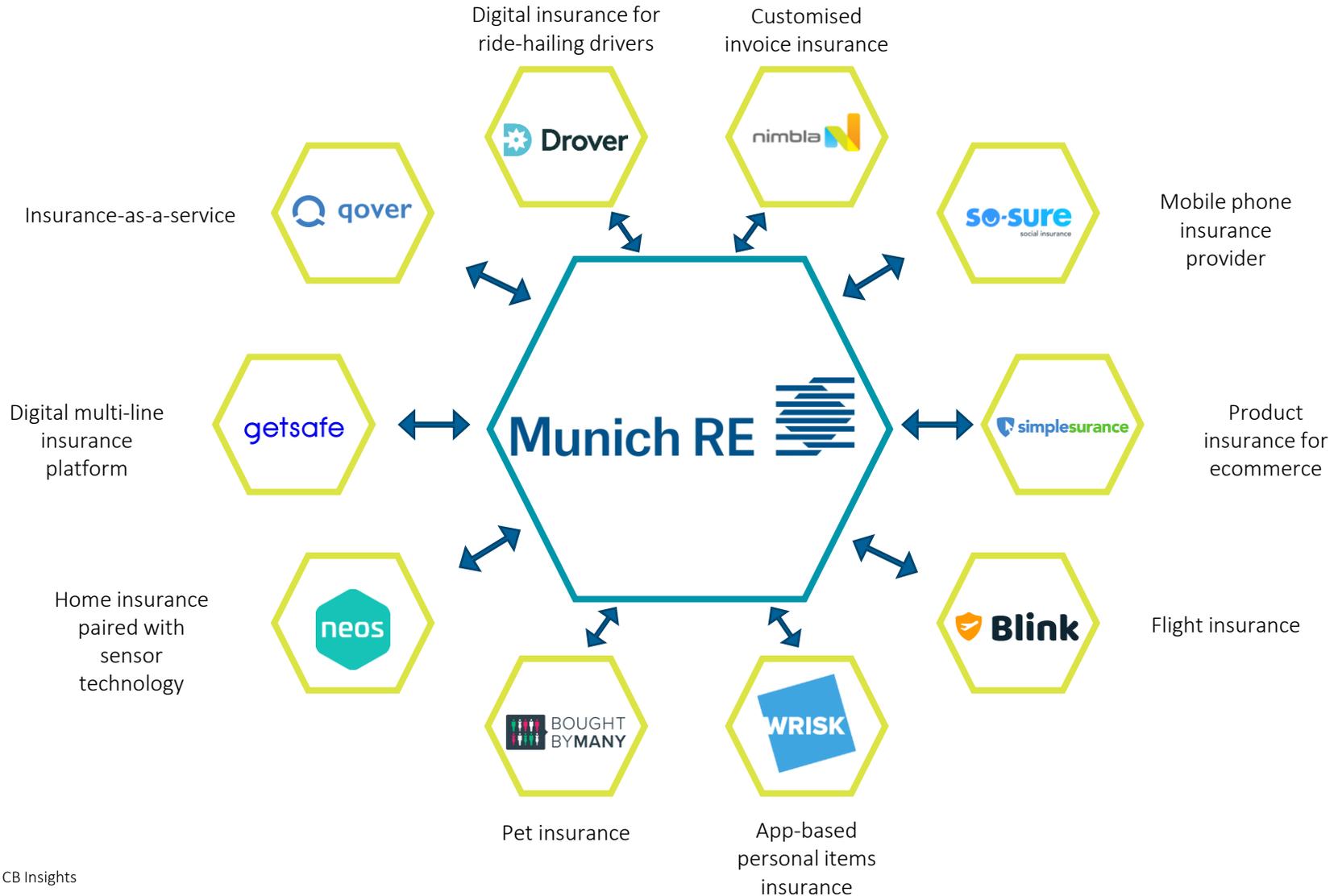
## Technology



- Zurich insurance – Swiss insurance agency
- BrightBox – SaaS-based connected car platform
- Founded in 2012, 200 employees
- Enhances Zurich’s capabilities in data insights and analysis

Sources: 451 Research; CAPIQ

# Partnerships



Source: CB Insights



# Agenda

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## *Value creation*

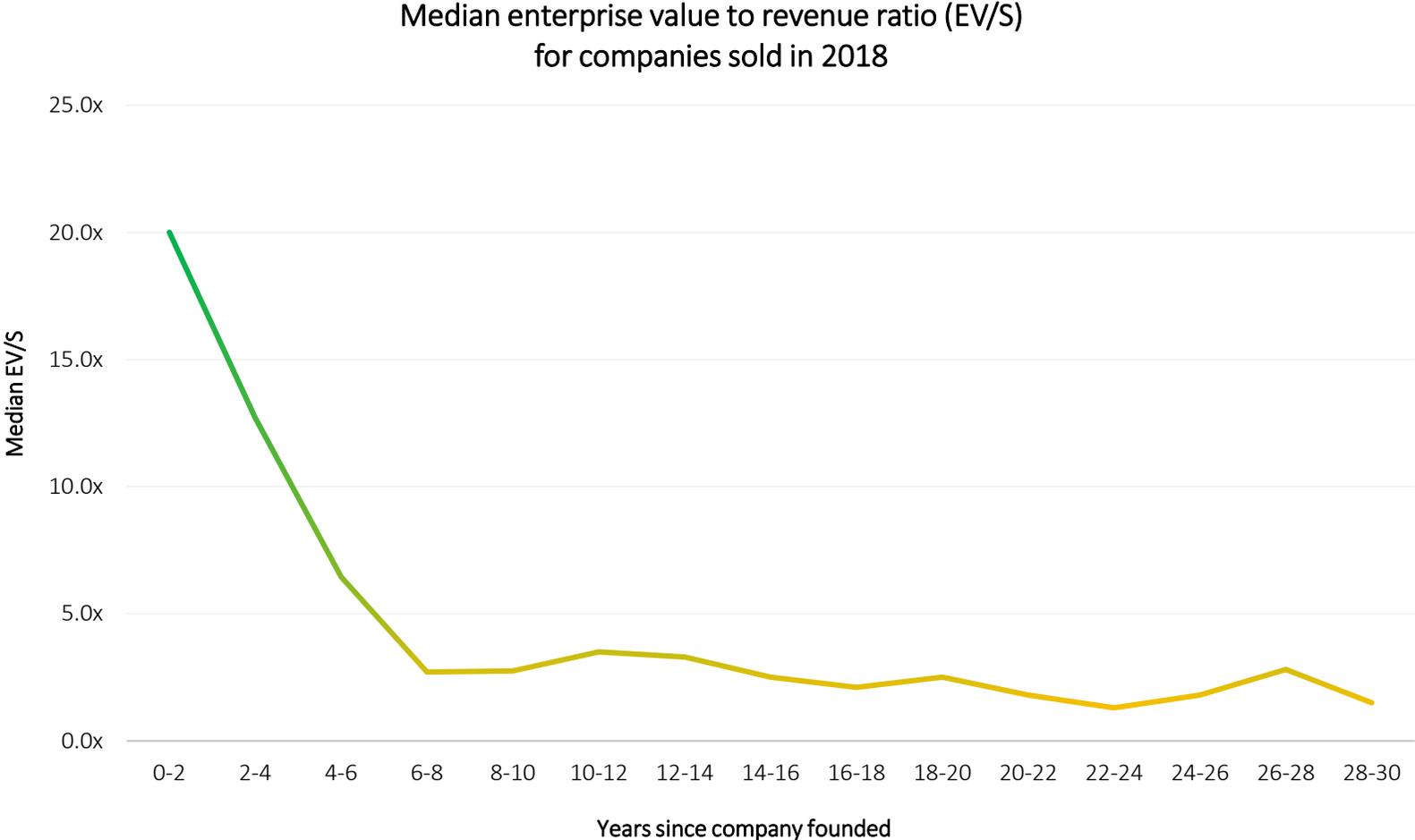
How does a company's "age" influence value?

Value maximisers and reducers during the transaction process – dos and don'ts

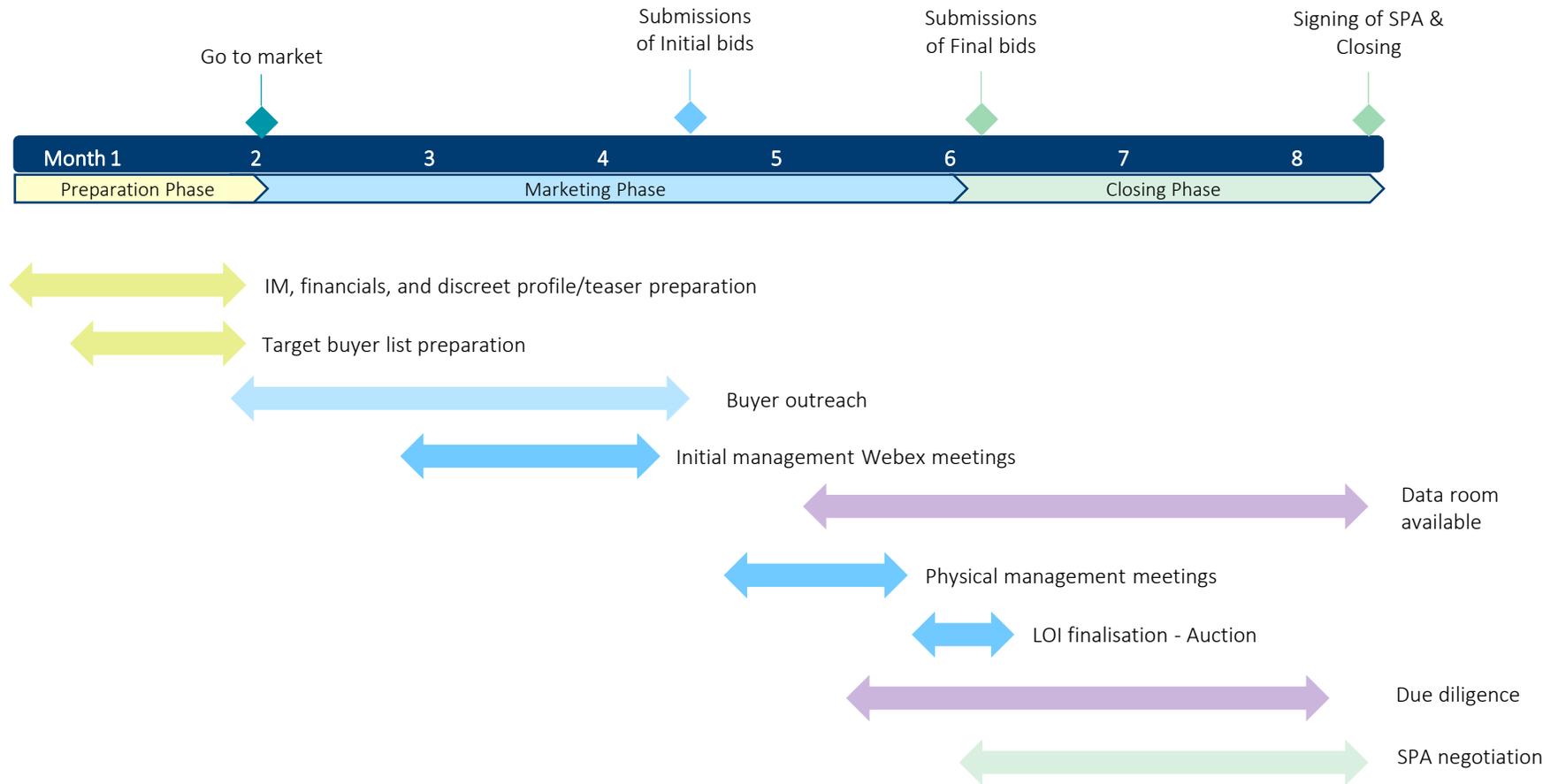
Transaction timeline

Maximising value

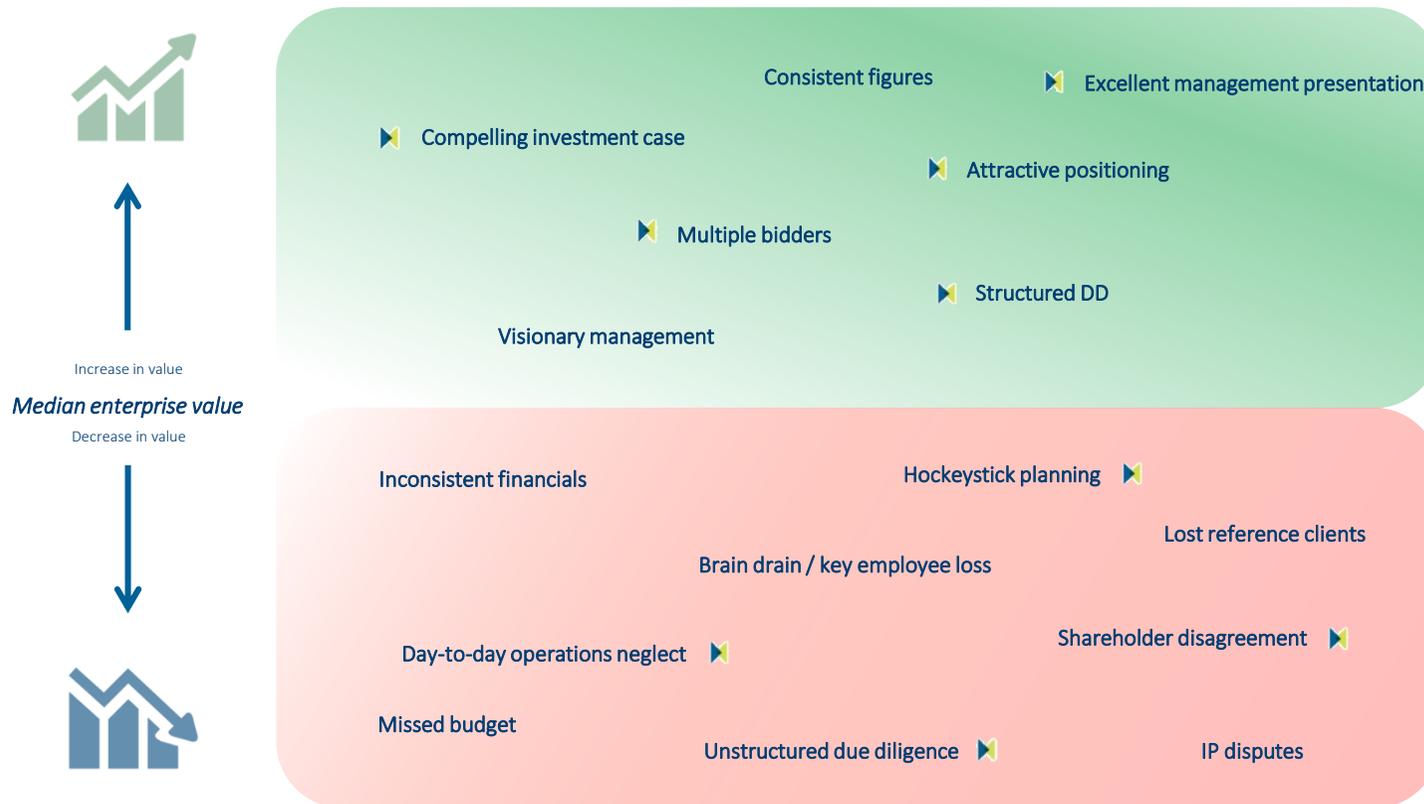
# How does a company's *age* influence value?



# Example transaction timeline



# Maximising company value



# Maximising deal value

- Pay attention to timing
- Consider left-field buyers and tangential sectors / buyer groups
- Ensure the process is structured – create a managed auction environment to maximise value
- Set expectations early as relationships develop... but not too early
- Think about and begin talking as early as possible about integration
- Good advisors (of course), and good lawyers
- Don't lose sight of the day-to-day running of your company – meet your budget!!!

# Agenda

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*Q&A*

*What's next?*

*Contacts*

# Q&A

# What's next?

- Go to [www.hamletonpartners.com/research](http://www.hamletonpartners.com/research) to download our sector reports
- Join one of our face-to-face M&A Executive Briefings to learn more:  
UK, Germany, Scandinavia
- Contact me directly if you have any more questions, would like to discuss your specific needs or go on our mailing list

# Contact details & next steps

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## Contact details

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